

Chapter – 6
Audit of Transactions

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URBAN DEVELOPMENT AND ENVIRONMENT DEPARTMENT

6.1 Non-Compliance with rules and regulations

For sound financial administration and financial control, it is essential that expenditure conforms to financial rules, regulations and orders passed by the competent authority. This not only prevents irregularities, misappropriation and frauds, but helps in maintaining good financial discipline. Audit findings on non-compliance with rules and regulations are hereunder.

6.1.1 Short levy of stamp duty

Government was deprived of revenue of ₹ 34.04 lakh due to short levy of stamp duty and registration fee.

According to Section 17(d) of the Registration Act, 1908, the lease deed having the period of lease for more than one year are required to be registered compulsorily. Stamp Duty at 8 *per cent*¹ of premium and 4 *per cent*² on annual rent reserved was to be levied under Section 33 of schedule 1A to the Indian Stamp Act (IS Act), 1899. Further Registration fee on such documents is leviable at three fourth (75 *per cent*) of the Stamp duty. Besides, Section 33 of the IS Act provides that it would be obligatory on every person in charge of a public office to impound cases which are unduly stamped and initiate action to get it duly stamped.

During scrutiny of the records of Chief Municipal Officer (CMO), Municipal Council (MC), Sanavad, District Khargone, we noticed (December 2014) that 240 shops were auctioned and allotted during the period between April 1997 and February 2008 to private individuals for three years with provisions for further extension of period. The allotments were done on premium in addition to rent fixed which was revisable from time to time. Lease deed of the same was executed on stamp paper of ₹ 100 each by the NP. Further, scrutiny of these lease deeds revealed that though amount of premium was collected by the NP but it was not mentioned in the lease deeds. As such, stamp duty and registration fee on premium could not be charged by the Sub Registrar (SR), which resulted in short realisation of stamp duty of ₹ 19.35 lakh and registration fee of ₹ 14.69 lakh.

In the exit conference (September 2015), the Government stated that notices had been issued to the shopkeepers for registering the lease deeds. The Government also assured to issue instructions to all MCs for referring the cases to the Registration Department.

The fact remains that failure of CMO, MC Sanavad in implementing provisions of IS Act and Registration Act deprived the Government of revenue of ₹ 34.04 lakh due to short levy of stamp duty and registration fee.

6.1.2 Non-recovery of extra cost under risk and cost clause

Nagar Parishad, Kanad incurred extra expenditure amounting to ₹ 7.68 lakh due to re-award of work, which was not recovered from previous contractor under risk and cost clause.

Nagar Parishad (NP), Kanad, District Agar awarded (November 2010) the work of cement concrete road in Ward no. 15 (Rajjak khan to Mataji Mandir) to a contractor at 48.90 *per cent* above Schedule of Rates (SOR) 1999. The

¹ Rates revised to 7.5 *per cent* w.e.f. 1 April 2008 and 5 *per cent* w.e.f. 1 April 2011

² Rate reduced from 4 *per cent* to 2 *per cent* vide notification no. (19) B-4-21-2004-C.T.-V. dated 06.09.2004)

work was sanctioned (October 2009) with estimated cost of ₹ 9.80 lakh under Swarn Jayanti Sahari Rojgar Yojana. The work order was issued to the contractor in December 2010 to complete the work within three months.

As per condition 3(c) of the tender document, which formed part of the agreement executed between NP and the contractor, in case of abandonment of the work, the Chief Municipal Officer shall have power to give unexecuted work to another contractor to complete and any extra expenditure, which may be incurred shall be borne and paid by the original contractor and may be deducted from any money due to him.

During test check of records of the Chief Municipal Officer (CMO), NP Kanad, we observed (January 2015) that the contractor had stopped work after digging of road. Hence, a notice was issued (March 2011) to the contractor to start the work within 24 hours failing which the work order would be automatically cancelled and the contractor would be responsible for losses. Subsequently, the contract was treated as cancelled and NIT was re-issued in March 2011. Later, the contract was awarded (April 2011) to another contractor at 95 per cent above SOR and final payment amounting to ₹ 22.27 lakh was made (September 2014) to the contractor.

Since the second tender was executed at the risk and cost of the previous contractor, the extra expenditure of ₹ 7.68 lakh³ was to be recovered from the previous contractor as per condition 3(c) of original tender. However, this was not recovered by NP, Kanad.

In the exit conference (September 2015), the Government stated that notice had been issued to the contractor in September 2015 to deposit ₹ 7.68 lakh within seven days otherwise the action for recovery of the risk and cost amount would be initiated through Revenue Recovery Certificate.

The fact remains that extra expenditure amounting to ₹ 7.68 lakh due to re-award of work was not recovered from the previous contractor, even after lapse of more than four years.

6.2 Expenditure without propriety

Authorisation of expenditure from public fund is to be guided by the principles of propriety and efficiency of public expenditure. Authorities empowered to incur expenditure are expected to enforce the same vigilance as a person of ordinary prudence would exercise in respect of his own money and should enforce financial order and strict economy at every step. Audit finding on expenditure without propriety is hereunder.

6.2.1 Idle expenditure on installation of water meters

Gwalior Municipal Corporation (GMC) incurred expenditure of ₹ 24.46 lakh on installation of water meters for non-domestic consumers, which remained idle as GMC continued to raise bills for water consumption on fixed charge basis instead of charging on the basis of consumption recorded in the installed water meters.

GMC invited (November 2006) a bid for supply, installation, testing and commissioning of 1,088 water meters for non-domestic consumers with a view to raise monthly bills on actual consumption of water. An agreement was made (March 2007) between GMC and successful bidder firm at a contract price of ₹ 42.64 lakh. Supply, installation, testing and commissioning work of water meters was to be completed within one year from the date of signing of

³ ₹ 22,27,056 (final payment) – ₹ 14,59,220 (9.80 lakh X 48.90 per cent) = ₹ 7,67,836

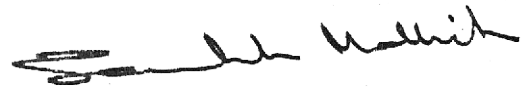
contract agreement. GMC further revised (July 2009) the project cost to ₹ 35.47 lakh due to reduction in the rate of meter box and the completion date was also revised to July 2010. The expenditure on the works was to be borne out of loan from Asian Development Bank for 'Urban Water Supply and Environment improvement project in Madhya Pradesh' under which all non-domestic and industrial water connections were to be metered up to 2009.

During test check of records of GMC, we observed (April 2014) that the firm had installed 943 water meters on the water pipeline of non-domestic consumers as of December 2010. Remaining 145 meters remained uninstalled, while testing and commissioning of 943 installed water meters were also not done by the firm. However, without testing/commissioning of water meters, GMC made final payment of ₹ 24.46 lakh to the contractor (December 2012).

We further observed (April 2015) that Municipal Corporation passed (January 2011) a resolution for collection of water charges on actual consumption. However, the GMC continued to raise bills of water consumption on fixed charges basis instead of charging on the basis consumptions recorded in the installed water meters. Thus, the expenditure of ₹ 24.46 lakh incurred on installation of water meters remained idle.

In the exit conference (September 2015), the Government stated that the direction had been issued to field engineers for making the installed meters functional and generate water bills as per actual consumption of water.

The fact remains that the expenditure of ₹ 24.46 lakh incurred on the procurement and installation of water meters remained idle, as levy of water charges were not based on actual consumption recorded in the water meters.



(SAURABH K. MALLICK)

Accountant General

(General and Social Sector Audit)

Madhya Pradesh

Gwalior
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Countersigned



(SHASHI KANT SHARMA)

Comptroller and Auditor General of India

New Delhi
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